



Auditor of Public Accounts  
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**Edelen releases state government audit**

*Audit expresses clean opinion on the state's financial statements with 62 findings with recommendations*

**FRANKFORT, Ky.** – Kentucky Auditor Adam Edelen has released the first part of the annual statewide audit of the Commonwealth of Kentucky for fiscal year ending June 30, 2011, expressing an unqualified or clean opinion on the state's financial statements.

The audit, known as the Statewide Single Audit of Kentucky (SSWAK), contains 62 findings with recommendations related to deficiencies in internal controls over financial reporting. Last year's audit contained 53 findings with recommendations.

The current state audit found eight material weaknesses, all relating to the **Kentucky Human Resource Information System**. Last year's audit contained just one material weakness. A material weakness has the potential to lead to a significant misstatement on the financial statements.

In addition, the audit found seven other significant deficiencies relating to KHRIS. A significant deficiency is less severe than a material weakness yet important enough to merit attention.

"The findings in the audit related to KHRIS demonstrate the need for continued scrutiny and oversight by the Personnel Cabinet, which failed to perform necessary testing prior to the system's launch," Edelen said.

The Personnel Cabinet implemented KHRIS in April 2011. The software system is intended to streamline payroll, benefits and other personnel administration across state government.

In general, the audit found inadequacies involving:

- Reconciliation procedures to ensure payroll data is compiled accurately and complies with laws and regulations;
- Training and information for human resources personnel;
- Processes that could lead the system to incorrectly calculate and report deductions, inconsistently calculate pay rates and erroneously state information on pay stubs;
- Security of sensitive data.

It was brought to an auditor's attention during the audit process that a state employee incorrectly received payments of \$10,284 due to a typo. The audit found that the KHRIS system did not have adequate payroll controls to prevent an agency from uploading incorrect data on an individual located in another agency over whom they did not have approval.

"In addition to protecting taxpayers, the state must ensure employees that they can be confident the human resource system accurately administers payroll and benefits," Edelen said.

Another concern noted in the 2011 audit involves bridge inspections by the **Kentucky Transportation Cabinet**.

Auditors tested bridge inspection reports to determine if they had been reviewed by Transportation Cabinet personnel. Of the 40 inspections tested, eight had not been reviewed.

"In order to properly prioritize spending on maintenance of the 8,933 bridges maintained by the Commonwealth, the Cabinet has to carefully review the bridge inspection reports," Edelen said.

Other areas of concern in the audit include:

- **Treasury** – Repeat finding about problems reconciling the state's bank accounts. Auditors reported the reconciling problems existed during the year, although the finding recognizes Treasury was current in its reconciliations at the end of the fiscal year.
- **Department of Military Affairs** – Improperly incurred \$20,760 in fees due to issues with paying invoices on time.
- **Kentucky Horse Park** – Improperly incurred \$3,503 in fees due to late payments, as well as other concerns.
- **Kentucky State Police** – Concerns involving employee procedures for reporting sick, annual and compensatory time.
- **Department of Corrections** Repeat concerns regarding the offender management system and computer security.
- **Commonwealth Office of Technology** – Issues regarding the tracking of assets, including an ATV that could not be observed by auditors because it was being stored at an employee's residence.
- **Department of Parks** – Repeat concerns about timely payments to vendors.

The audit also recommended that the **Cabinet for Health and Family Services** continue to make improvements at Hazelwood Intermediate Care Facility, a licensed, state-owned and operated facility in Louisville for individuals with intellectual and developmental disabilities.

Several improvements have been made since the 2010 audit found lax oversight of the Hazelwood business office, including closing its imprest cash fund.

Federal law requires an audit of the state's financial statements, which expresses an opinion on \$24.4 billion in expenditures. The second part of the audit, to be released in March, focuses on the state's compliance with federal grant requirements.

A total of 39 auditors, 31 financial auditors and eight IT auditors, reviewed the Commonwealth's financial statements and technology systems. The audit took more than 14,000 hours to complete.

The audit report can be viewed [here](#).

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